BANGLADESH

Role of technology and innovation to revitalize jute industry

Bangladesh government has taken a large project to upgrade production technology of jute mills under $350 million foreign loans, in view of the continued erosion of competitiveness of jute mills in the country.

Bangladesh's industrial policy of balancing, modernizing, rehabilitating and expanding (BMRE) with 100% import of foreign capital machinery is highly detrimental to the growth of local technology value addition capacity.

The state-owned jute mills are one of the key areas to support the growth of value addition in technology and capital machinery. The other solutions include waiving bank interest, giving cash subsidy, providing an additional loan, importing technology, and imposing a duty on raw jute exports, which forces farmers sell their produce at a low price.

It has been reported that recently around 20 jute mills were shut down, despite the availability of the cheapest labor, locally grown raw material, manufacturing and growing global consciousness of environment. More than 25 out of 97 jute spinning mills are already closed. Even 21 jute mills out of 35 that were privatized before are now closed. Moreover, operational jute mills are now running at less than 50% capacity.

Whenever the situation reaches to crisis level, the government comes up with projects to shoulder the liability. For example, in the past, the ministry has come up with Tk 7.0 billion projects in the name of manufacturing diversified products, and $350 million for technology up gradation with import.

CHINA

Country remains a world leader in textiles despite many challenges

China remains a world leader in textiles employing over 4.6 million people, contributing a tenth of GDP and with exports, including apparel amounting to US dollars 284 billion in 2015, according to data from China's National Bureau of Statistics. In this context, the wages have been rising at an annual compound growth rate of more than 12%, outpacing the economy, and therefore, it is simply no longer cheap enough to compete just on price.

At the same time, China's textiles sector faces rising costs of inputs such as cotton and wool, hefty import taxes for basic manufacturing equipment, and costlier environmental rules.

The government's five-year plan for textiles acknowledged that higher costs are weakening its international advantage, and it faces a 'double whammy' from developed countries like Italy with better technology and developing countries with lower wages.

The labor cost gap between Italian and Chinese yarn narrowed by around 30% between 2008 and 2016, to the US $0.57 per kg from US $0.82/kg, according to International Textile Manufacturers Federation (ITMF) data.

The hourly wage for a Chinese weaver last year was the US $3.52, according to the ITMF, up 25% since 2014, though still a fraction of the more than $US27.25 paid in Italy, an increase of 9% over the same period.

Italy's textile imports from China fell 8.7% in the first 10 months of last year, to Euro 347 million, according to SMI, Italy's textile and fashion association. Its exports to China rose 2.8% to Euro165 million in the same period, though total textile exports last year dipped 2% to Euro 4.3 billion.

ETHIOPIA

Chinese textile firms continue to invest in Ethiopia

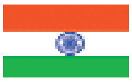
Few large Chinese companies, including textile and garment manufacturing industries, have decided to invest in Ethiopia in the first half of the current Ethiopian budget year. The investment has come after the Ethiopian Investment Commission (EIC) started giving priority to large and effective companies that can offer more and quick employment.

The Ethiopian Industrial Development Corporation (IPDC) has awarded the construction of two new industrial parks for textile and apparel industry in Addis Ababa and Jimma to two Chinese construction firms, in a deal worth around ETB 5 billion (US$221.2 million).

The CGCOC will construct the Bole Lemi II industrial park, an extension of the Bole Lemi I, while CCCC will build the Jimma industrial park. The Bole Lemi II Industrial Park will be constructed at a cost of 3.5 billion Ethiopian Birr (ETB) in the southern part of Addis Ababa. The IPDC has selected CGCOC to undertake the construction which will take 12 months, while the South Korean firm DOHWA will be the consultant of the project. The Jimma Industrial Park will be built in the Oromia Regional State in Jimma town at cost of ETB 1.5 billion Birr.

The CCCC, the Chinese construction firm, which has accomplished several major construction projects in Ethiopia, will construct the industry park within nine months. A local consulting firm, MH Engineering, will supervise the construction project.

The government gave number one priority to the textile and garment industry. It is a light industry which is labor intensive and it uses locally produced raw materials. The Bole Lemi and Kilinto Industrial Parks will be built with $158 million loans secured from the World Bank.



INDIA

Budget: Textile lobby seeks restoration of various incentives

The Cotton Textiles Export Promotion Council (TEXPROCIL) welcomed the Budget and appealed the government to restore some of the incentives relating to interest subvention for merchant exporters and cotton yarn and MEIS benefit for cotton yarns.

The job-creating package for textile sector found a worthy mention in the latest Economic Survey 2016-17. However, the made-ups sector which is included in the package still awaits the rates on ROSL scheme (Refund of State Levies), said TEXPROCIL Chairman Ujwal Lahoti. He said he hoped the rates will be announced soon so that the sector could take advantage of this path-breaking scheme.

Lahoti welcomed the 5% reduction in corporate income tax for medium and small enterprises with Rs 50 crore turnovers. This will benefit a large number of MSMEs in the textile sector also. He appreciated that the government will continue to take measures to boost growth as well as employment generation. He however stated that export sector, which was languishing on account of low overseas demand and rising protectionism, had not found a mention in the budget. He appealed to the government to restore some of the incentives relating to interest subvention for merchant exporters and cotton yarn and MEIS benefit for cotton yarns.

MEXICO

20% duty imposed on Mexican imports

The U.S. President Trump is likely to impose a 20% duty on Mexican imports, and if implemented, the Mexico is also planning to impose “mirror” tariffs against U.S. fabric and apparel imports which would severely harm cross-border manufacturers and retailers.

Sixto Mercado, Vice President of top trade lobby Canaive’s branch in Jalisco State, home to Guadalajara said that many apparel exporters here who would be affected would appreciate if the government did something to compensate against this Trump tariff. The statement is an indication of the growing tensions between the two neighboring countries, longtime allies, as Trump pursues his plan to build a wall along the border and claims that Mexico will pay for it.

The 20% tariff or other duty proposal forms part of the plan to fund the wall. The U.S. ships roughly $6.5 billion worth of apparel and textiles to Mexico $4 billion is fabric and $1.2 billion apparel parts, according to Canaive.

Conversely, Mexico sends back $4.5 billion worth of clothing and textiles $3.5 billion of apparel and $1 billion of textiles.

If the proposed 20% tariff is levied (among other options) to pay for Trump's border wall and Mexico hits back, they could grow below zero.

Mexican apparel producers to meet the challenges are seeking new markets in Central America and Europe with which Mexico has a largely vague free-trade agreement. Costa Rica, Panama, and Central America could be good markets to compete on price and quality.

SRI LANKA

Handlooms sector is set to flourish once again

Sri Lankan handloom runs through 3000 years of history, rich heritage, and cultural diversity, even today its handloom products offers diversity, uniqueness, and ingenuity in their designs and technologies. The tradition of weaving and handloom manufacturing still holds strong among the Sri Lankan handloom weavers who still stand faithful to the age-old designs of weaving that have been handed down through generations.

Today, there are over 10,000 Sri Lankan handloom manufacturers clustered in the Western, Central, Eastern, Southern and Northern provinces of Sri Lanka. Many of the Sri Lankan handloom manufacturers are home-based small weavers or individuals employed by private, cooperative and government agencies which are mainly catering to a growing export market.

Made with cotton and silk materials of brilliant colors, Sri Lankan handloom designs and products are used extensively by leading fashion designer and interior decorators in creating new fashion statements and interior decoration trends with handloom curtains, kitchen, and dining linen, rugs and bed linen that are sold under leading labels worldwide.

Minister of Industry and Commerce Rishad Bathiudeen said that Sri Lanka is enlisting its surging tourism and provincial cottage infrastructure to transform its struggling handloom products to global markets and a national blueprint for this transformation is now ready. Sri Lanka's handloom industry formerly had 200,000 people but today this has fallen to 10,000.

The cottage level industry produces export quality designs and materials. The leading province in handloom production is the Western Province followed by the Eastern province and the Central province.

Today, a range of new handloom designs and products by a number of leading handloom manufacturers including bold coloured handloom garments, handloom bridal sarees made with silk and polished cotton, vibrant handloom kaftans, sarongs and shawls, hand woven tapestries and rugs have found export markets around the world.

Many tourists to Sri Lanka make a shopping tour of the leading handloom outlets in the country in search of the best bargains while regional fashion weeks frequently feature designs made with Sri Lankan handloom designs.

Italy, Germany, France, UK, Norway, Netherlands and Maldives markets are some of the largest buyers of Sri Lankan handloom textile products. Sri Lankan handloom producers are capable of supplying numerous products which are designed for niche markets where handmade products of high value are preferred.

TURKEY

Duty on US cotton to hit competitiveness of Turkey

Turkey is planing to impose 3% anti-dumping duty on U.S. cotton imports on the pretext that imports are hurting domestic cotton production. The industry feels that this measure will drive up the costs for its own textile producers, hurting the competitiveness of their exports.

The spat is likely to put a strain on trade relations between one of the world's top fiber growers and one of its biggest customers at a time of weak global prices and demand. The U.S. cotton has specialty uses and it is not something that Turkish manufacturers could give up easily without compromising the quality of the products.

Turkey is the second-biggest buyer of U.S. cotton, with shipments ranging from 1.5 million bales to 2 million bales per year. According to industry data, Turkey exported $17 billion worth of garments and ready-to-wear clothing last year and $8 billion of textiles and raw materials.

The government in its official gazette while announcing the move said that it was determined that the material damage to local production branch has been the result of dumping in imports.

The move had been widely expected since February 2017, when Turkey's economy ministry said U.S. cotton was hurting the domestic cotton industry. However, U.S. cotton farmers have said that they will fight the decision through the World Trade Organization and Turkish courts.

USA

ICAC: World cotton stocks to decline by 7% in 2016-17

World ending stocks of cotton are forecast to decrease by 7% to 17.8 million tonnes at the end of 2016-17 as China continues to reduce its stocks. Ending stocks in China, where much of the excess stocks are held, dipped 13% to 11.3 million tonnes as the government sold over 2 million tonnes.

From 2009-10 to 2014-15, world ending stocks increased by 140% and reached a world record of 22.2 million tonnes. In 2015-16, the drop in world production led to a 14% reduction in stocks to 19.1 million tonnes.

Meanwhile, the Chinese government restricted import quota to the volume required by its WTO commitments in 2015 and 2016. The government has also announced that it will continue to sell from its reserves next year, beginning March 2017 when the majority of the new crop will have been sold.

As a result of the government selling from its reserves, cotton stocks in China are expected to decline by 15% to 9.6 million tonnes by the end of 2016-17. However, stocks outside of China may rise by 4% to 8.2 million tons, after falling by 16% to 7.9 million tonnes.

In 2016-17, world cotton production is projected to increase by 7% to 22.4 million tonnes as a 9% increase to 753 kg-ha in the world average yield offsets a 2% contraction in world cotton area to 29.7 million hectares.

India will remain the world's largest cotton producer, although its production is forecast to remain unchanged from 2015-16 at 5.8 million tonnes. Output in China is projected to decrease by 4% to 4.6 million tonnes while production in the US is expected to grow by 24% to 3.5 million tonnes. After a 34% drop in production due to adverse weather, competition with other crops, low prices and an outbreak of pink bollworm, Pakistan's cotton production is expected to recover by 24% to 1.9 million tonnes in 2016-17. After facing lower inventories in 2016 due to strong export demand, cotton production is forecast to increase by 8% to 1.4 million tonnes in Brazil.

UNITED KINGDOM

Textile & apparel exports up 7.05% in 2016

The exports of apparel and textiles from the UK have increased by 7.05% to GBP 9.1 billion in 2016, compared to exports of GBP 8.5 billion in 2015. The European Union was the biggest market for UK's textiles and apparel, accounting for 74% of all UK textile and apparel exports. The UK's textile and apparel exports have grown over the last five years.

During 2012-2016, apparel exports alone have risen by 41% to GBP 6.2 billion, up against GBP 1.8 billion. This rise in exports is due to a number of effects including an increased interest in heritage UK manufacturing, the creativity of British fashion designers as well as the importance of the UK as a key apparel trading hub.

UK apparel and textile exports to the EU rose from GBP 4.9 million in 2012 to GBP 6.7 billion in 2016, representing an increase of GBP 1.8 billion or 36%.

Meanwhile, the UK trade deficit, which reflects the difference between imports and exports, increased to GBP 15.4 billion in 2016, up from GBP 15 billion in 2015. This figure represents an increase in the value of imports from GBP 23.4 billion in 2015 to GBP 24.5 billion in 2016.

UZBEKISTAN

Country aims to process all locally produced cotton

Uzbekistan, a major cotton producing country has set a task to process all cotton produced in the country into textiles by 2020, as against 40% of the cotton that is being processed currently and as against 7% in 1991. As of date, the country exports textiles to over 50 countries and more recently has begun exports to Nigeria, Croatia, Chile and Brazil.

The overall textile exports, yarn shipments account for nearly 50%, which will be gradually replaced with value added textile products. In order to achieve the goal, the country plans to invest around $2.2 billion, half of which the country expects to come from foreign investments. There is also a plan to build textile complexes, which will house facilities beginning from spinning till processing of fabrics. The plan is to also create 27,000 new jobs through these investments, while also upgrading ten existing textile mills.

VIETNAM

Imported raw materials the biggest challenge to enter TPP

The dependence on imported raw materials would be the biggest challenge to the Vietnamese garment industry when the Trans-Pacific Partnership (TPP) comes into force possibly by the end of this year. The TPP's rule of origin requires nations to use a TPP member- produced yarn in textiles in order to receive duty-free access. Vietnam's garment and textile industry remain reliant on imported raw materials from many countries, which are not TPP members, including China.

According to the Vietnam Textile and Apparel Association (Vitas), in 2012 the total import value of raw materials and spare parts in service of the garment sector's production for domestic consumption and for exports reached $11.3 billion, of which, cotton imports cost $875 million (accounting for 98% of the demand); yarns and threads with $1.4 billion (54%); fabrics with over $7 billion (88%); and spare parts with over $2 billion. In the first seven months of this year, the sector earned $9.636 billion from garment and textile exports, a year-on- year increase of 16.3%, while it disbursed $7.646 billion, up 18.2%, for imported raw materials. Specifically, imports of cotton cost $680 million (up 30%) over $4.7 billion for fabrics (up 18.8%), over US $1.3 billion for other materials (up 18. 2%), and $857 million for yarn (up 7.5%). Efforts to increase raw materials made in Vietnam have not been successful.

The United States, the biggest importer of Vietnamese garment and textile products, accounting for about 50% of the industry's export turnover, is among 11 members joining the negotiations. Currently, Vietnamese garment and textile exports to the US market are taxed from 17.3% to 32%, which will be reduced to zero when the TPP agreement is enacted. Vietnam's garment and textile exports to the United States are expected to increase from the current 7% to 12%-13%, earning some US $30 billion a year by 2025. By then, the US market will account for 55% of Vietnam's total exports of garments and textiles, over the current share of about 50%. Vietnam is the second biggest garment exporter to the United States with a market share of 8%, after China.with a market share of 8%, after China.◆